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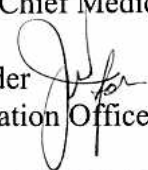
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Chief Operating Officer

COUNTY OF LOS ANGELES
DEPARTMENT OF HEALTH SERVICES
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April 8, 2004

TO: Each Supervisor

FROM: Thomas Garthwaite, M.D. 
Director and Chief Medical Officer

Jon Fullinwider 
Chief Information Officer

SUBJECT: **BETA TEST OF QUADRAMED SOFTWARE**

This is to advise you that the Department of Health Services (DHS) is planning to participate in beta testing two software products being developed by DHS' Healthcare Information System (HIS) vendor, QuadraMed Corporation (QuadraMed). Software vendors use beta testing to provide real world testing or fine tuning of their software prior to its general release. DHS will benefit from the beta testing by providing direct input on the finalization of the software, take another step towards an enterprise HIS and electronic medical record, and receive reduced software license fees.

QuadraMed has been DHS' HIS vendor since 1989, and has successfully implemented a number of its Affinity product software modules and tools in all five hospital-based clusters and High Desert Health System under the County's two agreements with QuadraMed. The two existing QuadraMed agreements are County Agreement Number 72190 for Harbor-UCLA Medical Center, Olive View-UCLA Medical Center, and Los Angeles County + University of Southern California Medical Center; and County Agreement Number 56649 for High Desert Health System, Rancho Los Amigos National Rehabilitation Center and Martin Luther King, Jr./Drew Medical Center.

Description

The two beta software products consist of a new Affinity Oracle database that QuadraMed has named Enterprise Data Repository (EDR) and Enterprise Workstation (EW). The EW will be the clinicians' workstation providing enterprise access to all patient data in the EDR via a standard web browser. The EW includes organizer, clinical overview and references modules.

Harbor-UCLA Medical Center (HUMC) will be the County beta site for these new QuadraMed software products. During the beta test, only HUMC's data, from its HIS system, its ancillary systems (Lab, Cardiology, Blood Gas, Blood Bank), and other County-approved systems, will be sent to the EDR. The EDR will operate in a stand alone computing environment and separate from the HIS that is provided and maintained by QuadraMed under County Agreement Number 72190.

The beta project will be governed by a separate Beta Test License Agreement (Agreement). When the EDR/EW becomes generally available to QuadraMed's customers and out of beta testing, DHS intends to seek an amendment to the existing two County agreements with QuadraMed and implement EDR/EW at other DHS health facilities. The EDR will then be expanded to include data from all DHS health facilities.

The term of the Agreement is through July 31, 2005, with a maximum six-month extension at the option of the County.

DHS will be acquiring the beta software, hardware, and third-party software from QuadraMed through ISD's purchase order (PO) process. The PO will include the Agreement and ISD's standard terms and conditions. A sole source justification has been completed for these purchases. The total cost is \$794,479, covering one-time license and installation fees for beta software, the cost of hardware and third-party software, and ongoing maintenance. QuadraMed has indicated that the total cost has been discounted by 43%.

Benefits

DHS will derive the following benefits from participating in the beta test:

- The EDR will be another step towards an enterprise HIS and electronic medical record system.
- It will enable DHS to provide direct input into the development of the two beta software products to meet DHS' operational needs (large, complex, multi-site, academic-based institution, with large ER and ambulatory care programs), reducing the need for future custom software modifications.
- It is an opportunity for key QuadraMed Affinity architects to learn about DHS' operational needs, and apply these lessons learned to subsequent versions and releases of QuadraMed's Affinity products.
- QuadraMed is highly motivated to ensure the beta test is successful for future product sales. Much more vendor support will be available for the beta test implementation than is generally given during regular product implementations.
- These beta software products will provide greater flexibility that comes with using a browser-based viewer and an industry standard relational database.
- For its participation in the beta test, HUMC's financial discount is \$602,488 in a one-time savings in the license and installation fees for the beta software products.

Risks

This beta test is very low risk in terms of any adverse effect on HIS or other systems, and we believe there is little, if any, risk of any adverse effect on County data, the delivery of patient care, or County services or operations. Data used by the EDR shall be coming only from the HUMC systems described above using County-used technologies, such as HL 7 and Contractor's Affinity query language. **No data will be sent from the beta software to the HIS or any other County system.** The beta software will be running on completely separate hardware and software from any other system and in a stand alone environment, thus

minimizing the risk of data corruption, disruption, or other problems to the HIS or to any other system. The local HUMC network will be used by the beta test in order to receive data from the HIS and other HUMC systems, and for viewing and testing purposes. The County manages the facility network and though unlikely, if any issue or concern arises, the beta test can easily and quickly be shutdown or cut-off from the network. The IBM hardware and the Oracle database software used in the beta test are proven technology and industry standards.

The Beta Test License Agreement includes substantial limitations of QuadraMed's warranty, liability and responsibility. For example, the Agreement includes an acknowledgement by the County that the beta software products are provided on an "as is" basis and may contain "bugs, error or other defects" and that in no event will QuadraMed be liable to County for any consequential, incidental or special damages. We believe that these limitations are standard in the technology industry for beta tests and that the County's interests are protected even with these limitations, since there is little risk of adverse effect on HIS or other County systems, County data, the delivery of patient care, or County services or operations. QuadraMed has agreed to correct, at no cost to the County, any problems to the HIS caused by the beta test however unlikely such occurrence may be.

The Agreement requires QuadraMed to provide insurance. The Agreement also requires QuadraMed to indemnify the County for third-party claims, including copyright and patent infringement claims related to the beta software.

The County CAO's Risk Manager has approved the indemnification, insurance, warranties, and limitation on liabilities provisions of the Beta Test License Agreement.

If the beta test software products are no longer considered beta software by QuadraMed and are released as part of QuadraMed's Affinity product line to all QuadraMed's customers, and if County elects to amend County Agreement Number 72190 to include these products as part of the HIS at HUMC, then QuadraMed has agreed to provide these software products to County for use at HUMC at no additional license or installation costs.

The benefits to DHS and the County clearly establish that DHS should participate in this beta software test. Unless we are instructed otherwise, we intend to submit a requisition to Purchasing on April 26, 2004 and proceed with this PO.

We are scheduling this matter for discussion at the Health Deputies meeting of April 14, 2004.

Please contact Jeffrey J. Guterman, M.D., M.S., if you have any questions. He can be reached at (213) 240-8103.

c: Chief Administrative Officer
County Counsel
Executive Officer, Board of Supervisors